

# Investing in RES sector

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## Introduction

### New law

### Commission decision

### Financing of RES

### Pending and expected activities

## Introduction

The Greek energy sector is expected to expand over the next few years as a result of:

- the optimisation of the energy mix, which consists of a reduction in fossil fuel-generated electricity and an increase in energy from renewable energy sources (RES);
- the liberalisation of the electricity and natural gas markets;
- significant infrastructure projects, such as the Trans-Anatolian Natural Gas Pipeline, and initiatives, such as the interconnection of the Greek islands with the interconnected electricity grid; and
- improvements to energy efficiency in buildings.

Greece is also expected to create energy investment opportunities due to the availability of RES potential in the country, as well as ongoing substantial infrastructure projects.

## New law

In August 2016 Law 4414/2016(1) (under the title New Support Scheme for Power Plants Using RES and Co-generation of Electricity and High-Efficiency Heat – Provisions on Legal and Operational Unbundling in the Supply and Distribution of Natural Gas and Other Provisions) was enacted. The law provides that from January 1 2016, RES producers that enter into trial and commercial operation in the Greek interconnected system must participate in the Greek wholesale electricity market.

Operating aid will be granted as:

- feed-in-premiums (FiPs), which would essentially be contracts for difference; or
- in exceptional cases, feed-in-tariffs (FiTs), to be determined either by law or on a per-project basis based on a competitive bidding procedure.

FiPs will be calculated as the difference between the special market price and the applicable reference price, which is determined either by law or on a per-project basis, based on a competitive bidding procedure. FiPs will be paid based on a FiP operational aid contract signed between the RES producer and the market operator, LAGIE. The RES generators will earn by selling the electricity on the market. However, if the special market price is below the reference price, RES generators will also receive a premium to cover the difference. If the special market price is above the respective reference price, the excess will be refunded by the generator to the special account kept by LAGIE. RES and high-efficiency co-generated heat and power (HECHP) producers that participate in the electricity market will be eligible for an additional management premium during the transitory period, until the establishment of the new electricity market model and a liquid intraday electricity market. Cumulative representation bodies will be organised in order to facilitate the participation of RES producers in the market. Small-scale projects will continue to be paid by FiTs. The same applies for the non-interconnected islands, due to the fact that there are no wholesale markets on most of

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these islands.

## **Commission decision**

On March 17 2017 the European Commission (SA 44666) approved the new Greek support scheme for renewable electricity and found that it was in line with EU state aid rules. This decision was published in the *EU Official Journal* (JOCE C/83/2017). The European Commission found that the scheme, which included state support either through a FiT or price premium, was in line with the state aid rules and would also help Greece to reduce its carbon dioxide (CO<sub>2</sub>) emissions, without unduly distorting competition. Further, the European Commission held that the scheme would help Greece to achieve its 2020 goal of producing 18% of its energy needs from RES.

Greece has agreed to open the competitive bidding process each year to RES and HECHP producers established in other European Economic Area states, up to a certain share. The final remuneration of imported RES production will be subject to evidence of physical import of electricity from RES.

The national 2020 RES targets for Greece are ambitious. The country is seeking to produce 18% of its domestic energy supplies from RES by 2020. In light of these targets, the 2010 National RES Action Plan envisaged 7.5 gigawatts (GW) of wind power capacity by 2020, although more recent calculations estimate the additionally required RES capacity at around 2.5 GW. Thus, there is significant potential for growth of the Greek wind power sector to reach its 2020 targets and beyond – mostly through the ongoing interconnection project involving connecting the Cycladic Islands and Crete with the mainland.

## **Financing of RES**

The first Greek support scheme for RES was launched in the mid-1990s as an incentive for independent power production and investments in RES. A purchase obligation was introduced on the network operator, along with regulated FiTs for the purchase of renewable energy. Additional incentives were offered in the form of subsidies (eg, for leasing equipment) and income tax exemptions. In parallel, the licensing procedure for RES projects was simplified in 2010, leading to increased investments in RES projects.

In particular, the photovoltaic (PV) sector's capacity was expanded to 2.6 GW between 2010 and 2013. This solar expansion comprised a significant deficit in the special account for renewables from which RES producers are paid for their output. This special account is largely funded by final consumers through their electricity bills and managed by LAGIE for purchasing renewable energy under power purchase agreements.

The Greek government and the Energy Regulatory Authority (RAE) took a series of measures between 2012 and 2014 in order to restore liquidity in this special account without much success. In order to tackle the increasing deficit, a new approach was required. As a consequence, the 'new deal' for RES was implemented in April 2014 via Law 4254/2014, introducing the special solidarity levy payable by all RES producers. While the new deal successfully brought in a deficit reduction, PV investors representing a considerable percentage of installed power capacity took legal action against it. At the same time, LAGIE filed a lawsuit against the Independent Power Transmission Operator (ADMIE), requesting overdue payments which had contributed to the creation of the deficit. While increasing its RES production by setting the aforementioned targets, Greece must also guarantee greater stability of its regulatory framework for existing and prospective RES investors.

Further, on December 30 2014 the Ministry of Environment, Energy and Climate Changes issued the Decision on Establishment of RES Production Units of Auto-Producers with Energy Offsetting in execution of Article 14A of Law 3468/2006. The decision regulates the terms and conditions for development of PV systems which would cover the needs of auto-producers, while the energy that they produce and the energy that they consume is offset (net metering). This adoption brought hope for self-consumption of solar energy with rooftop and ground-mounted PV systems.

Nevertheless, RES investments seemed to be at a dead end during Summer 2015. However, a positive step towards promoting RES was made by the end of the same year. Overall, the Greek non-interconnected islands reached 23% RES use in November 2015, according to a report by the Greek

electricity distribution system operator, DEDDIE. This was a positive outcome after the action taken by the state to help the non-interconnected islands to overcome their energy challenges and achieve grid interconnection. Among the efforts, the ADMIE has signed contracts with Greek and international companies to connect certain Greek islands with Greece's mainland grid using underground and subsea cabling, which is expected to be completed by 2020.

On October 18 2017 Parliament adopted the Law on Control and Protection of Structured Environment and other provisions.<sup>(2)</sup> Articles 151 and 152 of the law regulate some of the issues regarding RES production on the non-interconnected islands. In particular, Article 151 regulates the organisation of competitive procedures for construction and operation for two pilot projects for RES production in combination with the storing of excess energy in a battery storage system, smart metering and production-side management. The projects will receive operating aid in the form of FiT, based on a competitive procedure. A ministerial decision, to be issued at DEDDIE's request, should regulate:

- all details of the competitive procedures;
- selected techniques;
- the construction of production units; and
- the operational support of the pilot projects.

In June 2017 a similar project (smart microgrid and hybrid power station project) on Tilos won the Energy Islands Award and the Citizens' Award in the EU Sustainable Energy Competition, organised as part of EU Sustainable Energy Week.

Further, Article 152 provides for the issuance of a ministerial decision regulating hybrid and RES power stations and district heating on another island, Agios Efstratios.

### **Pending and expected activities**

On December 13 2017 the minister of environment and energy issued Decision APEEK/A/F1/oik 184573<sup>(3)</sup> (OJ B4488/19.12.2017). The decision refers to:

- the determination of technologies and categories of RES and CHP production plants that fall under the operating aid scheme via competitive tender procedures; and
- the characterisation of the competitive procedures as technology neutral or not.

According to the decision, only wind plants with capacity over 3 megawatts (MW) and PV plants with capacity equal or above 500 kilowatts (kW) will receive the operating aid, the amount of which will be determined in competitive procedures. Other RES and HECHP technologies will be included in the operating aid in the form of FiPs; the amount of aid (ie, the reference price) will be determined without the use of competitive procedures. However, if the annual total maximum production capacity of each of these technologies exceeds the amounts determined in the decision and there are more than three plants (or more than six plants if they receive operating aid between 2017 and 2020) in such category, the producers, using the technology in question, will be included in the competitive procedures. Competitive procedures will largely be organised separately for each technology (energy from wind and PV plants). Competitive procedures may – in certain cases regulated by the decision – be organised per region and technology, or as joint procedures for wind and PV – for instance, in the case of connecting one or more non-interconnected islands to the grid or regions that are characterised as saturated grids. There will be at least two joint pilot competitive procedures for wind and PV technologies.

On February 7 2018 the RAE, by applying Article 7 of Law 4414/2016, issued Opinion 2/2018 regarding the RES auctions to be held in the period between 2018 and 2020. In its opinion, the RAE proposed that the auctions, which will be organised in 2018 and 2019, set the maximum annual capacity of the plants which may receive the aid at:

- 300 MW for PV plants;
- 300 MW for wind plants; and
- 400 MW for both PV and wind plants determined in joint auctions.

In 2020 the maximum capacity may not exceed the quantities remaining from the previous year, increased for the new 300 MW for PV and 300 MW for wind. The maximum price (ie, the initial price) for the first auctions in 2018 is proposed to be:

- €85 per MW hour (MWh) for PV plants with capacity equal or below 1 MW peak (MWp);
- €80 per MWh for PV plants with capacity above 1 MWp; and
- €90 per MWh for wind plants.

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## **Endnotes**

(1) OJ A'149/09.08.2016.

(2) OJ A' 167/03.11.2017.

(3) OJ B4488/19.12.2017.

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